

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the City of Columbus did financially during 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, water and wastewater, and storm water lines). The timing of the final property tax draw can also be a factor if the city doesn't receive their tax settlement on December 31st each year. These factors must be considered when assessing the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities.

- **Governmental Activities** – Most of the City's programs and services are reported here, including public safety, highway and streets, sanitation, health and welfare, economic development, culture and recreation, interest on long term debt, and general government. These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water, wastewater, and aviation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, the General, Street Maintenance and Repair, Water, Wastewater, and Aviation funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds – The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds – The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Government-Wide Financial Analysis

Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

Table 1						
Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current Assets	18,042,915	4,806,430	11,133,046	14,014,476	29,175,961	18,820,906
Restricted Assets	3,624,135	22,812,891	35,803,513	29,071,478	39,427,648	51,884,369
Fixed Assets			79,602,211	93,783,325	79,602,211	93,783,325
Depreciation					-	-
Other Assets			315,357	386,069	315,357	386,069
Total Assets	21,667,050	27,619,321	126,854,127	137,255,348	148,521,177	164,874,669
Liabilities						
Current and Other Liabilities			1,934,119	4,211,261	1,934,119	4,211,261
Long-Term Debt			34,321,720	33,249,150	34,321,720	33,249,150
Other Liabilities					-	-
Equity/Retained Earnings					-	-
Total Liabilities	-	-	36,255,839	37,460,411	36,255,839	37,460,411
Total Net Assets	21,667,050	27,619,321	90,598,288	99,794,937	112,265,338	127,414,258
Net Assets						
Invested in Capital Assets, Net of related debt			44,388,491	57,348,737	44,388,491	57,348,737
Restricted	3,624,135	22,812,891	929,859	28,860,411	4,553,994	51,673,302
Unrestricted	18,042,915	4,806,430	45,279,938	13,585,789	63,322,853	18,392,219
Total Net Assets	21,667,050	27,619,321	90,598,288	99,794,937	112,265,338	127,414,258

Total net assets for governmental activities increased \$5.9 million. The governmental activities had an increase in revenues of \$13.4 million and an increase in expenses of \$7.7 million.

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The net assets for business-type activities increased \$9.1 million. The business-type activities had an increase in revenues of \$4.3 million and an increase in expenses of \$1.8 million with an increase in beginning assets of \$6.6 million which makes up the net increase of \$9.1 million in net assets.

Table 2 reflects the changes in net assets for 2007 with a comparison to 2006 net assets. This is a comparative analysis of government-wide data to compare the changes in each category of revenues and disbursements.

Table 2
Changes in Net Assets

Table 2 reflects the changes in net assets for 2007 compared to 2006

	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	Total	
	2006	2006	2007	2007	2006	2007
Receipts						
Program Receipts						
Charges For Services	10,552,684	10,197,498	2,768,236	12,668,672	20,750,182	15,436,908
Operating Grants and Contributions	4,494,231		4,047,631		4,494,231	4,047,631
Capital Grants and Contributions	-		2,118,100		-	2,118,100
Total Program Receipts	15,046,915	10,197,498	8,933,967	12,668,672	25,244,413	21,602,639
General Receipts						
Property Taxes	22,114,095		21,610,193		22,114,095	21,610,193
Other Local Sources	1,531,031	2,125,658	18,699,956	3,563,951	3,656,689	22,263,907
Other Revenues	10,646,228	3,938,760	13,539,602	4,371,095	14,584,988	17,910,697
Total General Receipts	34,291,354	6,064,418	53,849,751	7,935,046	40,355,772	61,784,797
Total Receipts	49,338,269	16,261,916	62,783,718	20,603,718	65,600,185	83,387,436
Transfers			(2,174)	(16,310)	-	(18,484)
Total Receipts and Transfers	49,338,269	16,261,916	62,781,544	20,587,408	65,600,185	83,368,952
Program Disbursements						
General Government	17,226,801		18,445,554		17,226,801	18,445,554
Public Safety	15,120,573		17,014,385		15,120,573	17,014,385
Highway and streets	4,396,271		7,207,011		4,396,271	7,207,011
Sanitation	1,668,746		2,196,489		1,668,746	2,196,489
Health and Welfare	-		422,432		-	422,432
Economic Development	1,523,352		2,694,996		1,523,352	2,694,996
Culture and recreation	9,194,774		7,478,576		9,194,774	7,478,576
Interest on Long-Term Debt			1,369,831			1,369,831
Water		3,957,083		4,302,182	3,957,083	4,302,182
Wastewater		4,444,916		5,780,983	4,444,916	5,780,983
Aviation		1,218,375		1,307,594	1,218,375	1,307,594
Total Disbursements	49,130,517	9,620,374	56,829,274	11,390,759	58,750,891	68,220,033
Increase in Cash Net Assets	207,752	6,641,542	5,952,270	9,196,649	6,849,294	15,148,919
Beginning Cash Net Assets	21,459,298	83,956,746	21,667,051	90,598,288	105,416,044	112,265,339
Ending Cash Net Assets	21,667,050	90,598,288	27,619,321	99,794,937	112,265,338	127,414,258

The major program expenses for governmental activities are for general government, which accounts for just over 32% of all governmental expenses. Public Safety accounts for just below 30% of total disbursements. Culture and recreation decreased from 2006 to 2007 by 1.7 million which accounts for 13% of all disbursements. These three programs account for over 75% of the total disbursements for the City of Columbus and are funded almost entirely from property taxes, CAGIT revenues, and State shared revenues.

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The City's water and wastewater operations account for over 87% of the business-type expenses and are funded almost entirely from charges for services.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. A comparison is provided to show changes from 2006 to 2007.

Table 3
Governmental Activities

Table 3 Indicates the total cost of services and the net cost of services for Governmental Activities.

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2007	2007
Program Disbursements				
General Government	17,226,801	8,324,145	18,445,554	15,496,623
Public Safety	15,120,573	14,995,839	17,014,385	16,969,037
Highway and streets	4,396,271	2,492,138	7,207,011	4,771,643
Sanitation	1,668,746	1,668,746	2,196,489	1,936,172
Health and Welfare	-	(206,718)	422,432	370,103
Economic Development	1,523,352	340,554	2,694,996	1,601,410
Culture and recreation	9,194,774	6,468,898	7,478,576	5,380,488
Principal & Interest Long Term			1,369,831	1,369,831
Total Disbursements	49,130,517	34,083,602	56,829,274	47,895,307

It should be noted that for all governmental activities, over 94 percent of the revenues to provide these services are derived from the City's general revenues: that being primarily property taxes, CAGIT monies, and state shared revenues. The negative cost of health and welfare services in 2006 indicates that program revenues were sufficient enough to cover the costs of this program.

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Public Safety fund, and the Culture and Recreation fund. A review of these funds indicates a significant change in general government expenses due to the increase in gas prices and materials. The public safety disbursements increased due to the rising need for law enforcement patrolling and also rising gas prices. Culture and recreation disbursements decreased because the county only did one tax billing for property taxes in 2007 causing lack of funds to expend. The other funds listed also changed due to rising costs of fuel and materials.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Wastewater, and Aviation funds. Program revenues, primarily charges for services, have been sufficient to cover the expenses of the respective funds, which can be seen on the statement of activities.

The revenues generated by the utilities division is primarily based on the amount of water the residents use. They are billed based on the quantity they use for both water and sewer. Customers not using the

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city water supply get billed a flat rate for sewage treatment. Our customer base is primarily residential within the city limits of Columbus. However, we do have an industrial base and do bill a couple rural utilities under a negotiated contract.

Utility revenues increased from 2006 to 2007. This was a result of a 79% increase in wastewater rates that took effect May of 2006. 2007 was also a dry year which increased the water income. The expenses encountered by the utilities division changed significantly from 2006 to 2007 primarily due to the increase in bond interest expense. The charge for services generates enough revenue to offset the expenses generated by utilities and along with the general revenues it covers all the expenses for the utility division.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by city officials and department heads and such other budgetary documents are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the general fund. Any modification to the approved annual budget are only completed upon department request and within qualifying categories based on the State Board of Accounts regulations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City of Columbus is GASB 34 compliant. This process to become compliant began in 2004 and has taken extensive time to compile the exact, accurate data. The City of Columbus has chosen to use a base of \$5,000.00 for all capital assets. Any purchase above that amount will be part of the fixed asset report. To date, each city department is responsible to submit a document on a quarterly basis to the Clerk Treasurer for any purchases or deletions. The capital asset reporting system includes land, buildings, land improvements, vehicles, machinery and equipment, city infrastructure and artwork.

CURRENT ISSUES

Columbus City Utilities has a number of major factors in 2007 that had an impact on the financial statements. They included a rate increase, and the issue of a new debt.

Utility revenues increased over 2006. This was the result of a 79% increase in the wastewater rates that took effect May of 2006. This geographical area experienced a very dry year in 2007 which increased water income.

The utilities division continues with major construction projects that will affect the financial picture for years to come. This includes a new wastewater plant. The debt will increase approximately \$5,000,000 by the end of 2008 and again in mid 2009 by \$75,000,000. The increased debt will require a rate increase that will take effect around the beginning of 2008.

The City received the approval for a public works project in the amount of \$2,000,000. The City Council committed \$1,000,000 to the new Mill Race Center and \$1,000,000 for miscellaneous projects needed by the Parks Department. The Department of Local Government Finance Control Board approved the loan in October, 2007 and a tax rate was set to pay this debt back within two (2) years.

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The Clerk Treasurer's office continues to be current on all bank reconciliations on all funds. The year 2007 presented quite a financial challenge to the Clerk Treasurer's office due to the fact that only (1) tax billing was collected by the County Auditor and the majority of the property tax settlement did not come until year-end of 2007. Because of that primary fact, Clerk Treasurer Brenda Sullivan went before City Council in May and asked that temporary inter-fund loans be made in order to avoid having to procure a tax anticipation warrant. All loans were repaid by year-end of 2007. The 2007 year was closed timely and the Clerk Treasurer was able to account for all monies.

The Vision 20/20 Downtown Committee continues to be hard at work. Hotel Indigo was completed and has added a very positive alternative for hotel accommodations to the city of Columbus. December 31, 2007 was the last date of operations for the City Commons. It was scheduled for demolition with a new facility to be built. There are many projects on the table and there is much enthusiasm as to revitalizing the downtown. A sports complex and new educational opportunities are still part of the plan in the near future for the downtown area.

The Redevelopment Commission moved forward with an issuance of bonds in the principal amount not to exceed \$10,000,000 in order to build the Jackson Street Parking Garage. Groundbreaking occurred and the construction of the parking garage was begun. Completion date is early in 2008.

Cummins announced that 500 new jobs would come to the city of Columbus. These jobs would pay in the range of \$80,000. It was hoped that an office building could be built in the downtown area possibly on the block that was to be demolished.

A major concern for the city has been the condition of sidewalks, particularly in our Lincoln Center and East Columbus neighborhoods. In cooperation with Community Development, the City Engineer and neighborhood representatives, we targeted Community Development Block Grant funding to repair these sidewalks.

The TAC Team, better known as Technology Advisory Committee, has developed and is implementing E-Columbus telecommunications initiatives throughout the city. The conduit project was started and nearly completed in the year 2007.

The City has contracted with Milestone Contractors to improve the next phase of Rocky Ford Road from Marr Road to Taylor Road. This is a \$ 4,300,000 project that includes the addition of curbs, gutters and sidewalks to extend our People Trail System as well as two travel lanes. This project represents a milestone for our newly formed Metropolitan Planning Organization since this is the first road project to be completed with MPO funding. Construction began with completion date set for sometime in early 2008.

The construction of Fire Station # 2 at the Columbus Airport was completed and dedicated. The old Fire Station # 2 located at 2702 Central Avenue was sold to Columbus Regional Hospital.

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REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brenda Sullivan, City Clerk Treasurer, 123 Washington Street, Columbus, Indiana 47201.